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Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 STR-08 CEA-02

RSR-01 /179 W
---------- 111105
R 172130Z JUL 73
FM AMEMBASSY MANAGUA
TO SECSTATE WASHDC 2024
INFO AMEMBASSY GUATEMALA
AMEMBASSY SAN JOSE
AMEMBASSY TEGUCIGALPA
AMEMBASSY SAN SALVADOR

UNCLAS SECTION 1 OF 2 MANAGUA 3124

E. O. 11652: N/A
TAGS: EGEN, NU
SUBJECT: ECONOMIC/COMMERCIAL HIGHLIGHTS - JULY 1-15, 1973 - CERP UNSCHEDULED REPORT

GUATEMALA ALSO FOR ROCAP

BEGIN SUMMARY. THE FIRST MAJOR POST-QUAKE COMMERCIAL FACILITY OPENED JULY 2, PROVIDING AN OUTLET FOR BUSINESSMEN WHO LOST THEIR SHOPS IN THE EARTHQUAKE. ITS LOCATION NEAR TWO OTHER SHOPPING CENTERS (ONE OPERATING, ONE UNDER CONSTRUCTION) SEEMS TO ASSURE THAT THIS SUBURBAN AREA WILL BE A CENTER OF COMMERCE IN RECONSTRUCTED MANAGUA. FAVORABLE PRICES AND INCREASED VOLUME OF COTTON, COFFEE AND MEAT MAY PUCH EXPORTS TO A RECORD 280-285 MILLION DOLLARS IN 1973, 20 PERCENT AVOE 1972. EMPLOYMENT IN THE COMMERCIAL SECTOR IS NOT YET 60 PERCENT OF ITS PRE-
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QUAKE LEVEL BUT HAS MORE THAN DOUBLED IN THE CONSTRUCTION

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SECTOR. BASIC GRAIN PRICES HAVE RISEN SHARPLY; FOR CORN AND BEANS, PRICES ARE MORE THAN DOUBLE A YEAR AGO. END SUMMARY.

1. LARGE SHOPPING CENTER OPENS DOORS.

A. ON JULY 2 ABOUT 30 STORES OPENED IN THE NEW SHOPPING CENTER CONSTRUCTED BY THE CHAMBER OF COMMERCE FOR BUSINESSMEN WHO LOST THEIR SHOPS IN THE EARTHQUAKE. THE FACILITY, WHICH WILL EVENTUALLY HOUSE 195 SHOPS, IS LOCATED IN A CONVERTED LIVESTOCK SHOW GROUNDS, THE PARQUE DE EXPOSICIONES. IT IS THE FIRST POST-QUAKE MAJOR COMMERCIAL FACILITY. THE OPENING WAS ENTHUSIASTICALLY RECEIVED BY THE SHOPPING PUBLIC AND THE CHAMBER ANNOUNCED THAT FIRST WEEK SALES AMOUNTED TO ABOUT ONE MILLION CORDOBAS (143,000 DOLLARS).

B. BY THE END OF THE SECOND WEEK, ABOUT 50 STORES WERE OPEN, AND ANOTHER 50 WERE IN VARIOUS STAGES OF PREPARATION. CHAMBER OFFICIALS PREDICTED THAT 100 STORES WOULD BE OPEN BY AUGUST FIRST AND THAT ALL 195 WILL BE OPERATING BY YEAR END.

C. AT PRESENT, INADEQUATE BUS SERVICE AND POOR ROADS ARE LIMITING PATRONAGE. HOWEVER, THE CITY GOVERNMENT HAS BEGUN WORK ON A SEGMENT OF THE RURAL BY-PASS WHICH WILL PASS BY THE SHOPPING AREA. WHEN THIS IS COMPLETED IN AUGUST, ACCESS WILL BE GREATLY IMPROVED. THE CENTER IS LOCATED LESS THAN ONE-HALF MILE FROM MANAGUA'S ONLY OTHER OPERATING SHOPPING CENTER, "LA COLONIA CENTROAMERICA", WHICH CONTAINS ABOUT 20 STORES. COD-STRUCTION HAS BEGUN ON A THIRD CENTER, ACROSS THE MASAYA HIGHWAY FROM THE CENTROAMERICA. THIS CONCENTRATION OF ACTIVITY WOULD SEEM TO ASSURE THAT THIS SUBURBAN LOCATION WILL BECOME A MAJOR COMMERCIAL AREA OF THE CITY WHATEVER THE FINAL GON PLAN FOR RECONSTRUCTION.

2. EXPORT PROSPECTS BRIGHT. PROSPECTS FOR NICARAGUA'S PRINCIPAL EXPORTS APPEAR EXCEEDINGLY BRIGHT AT MID-
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YEAR. THE 1972/73 COTTON CROP, TRADITIONALLY NICARAGUA'S LARGEST EXPORT EARNER, WEATHERED LAST YEAR'S DROUGHT REMARKABLY WELL AND THE COTTON COMMISSION ON JUNE 30 ESTIMATED TOTAL PRODUCTION AT 465,000 BALES OF WHICH, BY MAY 31, 325,000 HAD BEEN EXPORTED; 123,000 REMAINED AVAILABLE FOR EXPORT AND 17,000 WOULD BE USED FOR INTERNAL CONSUMPTION. THIS COMPARES WITH TOTAL PRODUCTION OF 457,000 BALES LAST YEAR.

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AVERAGE EXPORT PRICE THIS YEAR IS RUNNING AT $29.61
PER HWT VS. $27.98 IN 1972. WITH NEARLY ALL THE
CROP IN, IT APPEARS FAIRLY CERTAIN 1973 RAW COTTON
EXPORTS WILL EARN ABOUT $63 MILLION--UP FROM $61
MILLION IN 1972 AND ONLY SLIGHTLY UNDER THE 1965
HIGH OF $66 MILLION. COFFEE EXPORTS ARE ALSO RUNNING
WELL AHEAD OF PAST YEARS IN BOTH VOLUME AND PRICE AND
SHOULD TOTAL ABOUT $55 MILLION FOR THE YEAR--UP FROM
$30 MILLION IN 1972. MEAT EXPORTS SHOW A ROUGHLY
5 PERCENT INCREASE IN VOLUME AT MID-YEAR, BUT GREATLY
IMPROVED PASTURES RESULTING FROM THE FIRST ADEQUATE
RAINS IN 18 MONTHS, SHOULD SPUR PRODUCTION IN THE
SECOND HALF AND YIELD AN OVERALL INCREASE OF ABOUT
10 PERCENT - FROM 59 MILLION LBS. IN 1972 TO ABOUT
64 MILLION LBS. THIS YEAR. FAVORABLE PRICES SHOULD
SWELL MEAT EARNINGS FROM $35 MILLION LAST YEAR TO
ABOUT $48 MILLION. OTHER NICARAGUAN EXPORTS,
INCLUDING INDUSTRIAL GOODS TO THE CACM APPEAR TO BE
HOLDING THEIR OWN OR ENJOYING MODERATE GROWTH, LEADING
THE EMBASSY TO EXPECT EXPORTS FOR THE YEAR TO REACH
THE $280-285 MILLION RANGE, AN INCREASE OF OVER 20
PERCENT FROM 1972'S RECORD $231 MILLION. IMPORT DATA
FOR THE FIRST HALF ARE SKETCHY AND INCONCLUSIVE.
SHELTON

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RSR-01 /179 W
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3. EMPLOYMENT.

A. COMMERCE: THE CHAMBER OF COMMERCE ESTIMATES THAT EMPLOYMENT IN THE COMMERCIAL SECTOR IN MANAGUA ON MAY 31 WAS ABOUT 40 PERCENT OF THE PRE-EARTHQUAKE LEVEL OF 18-20,000. THE CHAMBER ESTIMATES THAT 60 PERCENT OF THE COMMERCIAL WORK FORCE WILL BE BACK AT WORK BY THE END OF JULY. IT WILL BE THE END OF THE YEAR BEFORE THE PRE-QUAKE LEVEL OF EMPLOYMENT IS REACHED IN THE COMMERCIAL SECTOR, THE CHAMBER SAYS.

B. CONSTRUCTION: ACCORDING TO BOTH CONSTRUCTION MANAGEMENT AND UNION SOURCES, ABOUT 5000 WORKERS WERE EMPLOYED BY THE MAJOR CONSTRUCTION FIRMS AT THE BEGINNING OF THE CURRENT STRIKE. ADDED TO THIS ARE PERHAPS ANOTHER 2000 MEN WHO ARE WORKING INDEPEND-ENTLY ON SUCH JOBS AS HOM REPAIRS. THIS COMPARES TO A
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TOTAL OF 2-3000 WORKERS THAT WERE EMPLOYED IN THE CONSTRUCTION SECTOR IN DECEMBER 1972. INDUSTRY SPOKESMEN SAY THE TOTAL AVAILABLE WORK FORCE NUMBERS 10-12,000 WORKERS BUT MAY NOT BE SUFFICIENT TO MEET DEMAND WHEN RECONSTRUCTION ACTIVITY INTENSIFIES.

4. SHARP PRICE RISES IN BASIS GRAINS.

A. INCEI, THE NATIONAL GRAIN STABILIZATION AGENCY, RECENTLY PUBLISHED INDICES OF PRICES THROUGH JUNE FOR BASIC GRAINS. PRICES HAVE RISEN SHARPLY THE PAST YEAR IN ALL FOUR BASIC GRAINS; CORN, BEANS, RICE AND SORGHUM. THE PRICE OF CORN AND BEANS HAS MORE THAN DOUBLED IN THE YEAR FROM JUNE 1972 TO JUNE 1973 DUE TO THE SEVERE LOCAL DROUGHT AND HIGH WORLD PRICES. THE GOVERNMENT IS ENCOURAGING FARMERS TO INCREASE PLANTINGS THIS YEAR IN THE HOPES OF BRINGING DOWN PRICES THIS FALL.

B. INDEX OF BASIC GRAIN PRICES

GRAIN INDEX OF PRICES (1966-1977 AVERAGE EQUALS 100)

JUNE 1972 JUNE 1973

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CORN	97.94	232.25
BEANS	79.20	162.20
RICE	94.90	117.90
SORGHUM	103.45	171.75

5. INSURANCE PAYMENTS RISE: THE SUPERINTENDENT OF BANKS AND OTHER INSTITUTIONS ANNOUNCED JULY 10 THAT INSURANCE COMPANIES OPERATING IN NICARAGUA PAID CLAIMS TOTALING 393 MILLION CORDOBAS ($56 MILLION) IN THE FIRST SIX MONTHS OF 1973. THE ANNOUNCEMENT CAME IN THE CONTEXT OF A LENGTHY REBUTTAL OF CRITICISM THAT THE GON HAS BEEN LAX IN COMPELLING LOCAL AND FOREIGN INSURANCE FIRMS TO MEET THEIR OBLIGATIONS. LOCAL RULE OF THUMB HOLDS THAT ROUGHLY 80 PERCENT OF PAYMENTS ARE COVERED BY RE-INSURANCE ABROAD AND SHOULD REPRESENT FOREIGN EXCHANGE INFLOWS. HOWEVER,
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CENTRAL BANK OFFICIALS BELIEVE THAT A PORTION OF THESE PAYMENTS HAVE BEEN RECEIVED AND DEPOSITED ABROAD.
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